

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP SUDAN

GRANTS FROM THE GLOBAL FUND

Report No. 1761
Issue Date: 28 April 2017

Report on the Audit of UNDP Sudan Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 29 January to 9 February 2017, conducted an audit of three grants from the Global Fund (Output Nos. 93712 [Malaria], 93713 [HIV], and 93714 [Tuberculosis]) managed by UNDP Sudan (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.¹ The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure, staffing, capacity development and exit strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, funding, reporting, oversight and monitoring);
- (d) procurement and supply management (qualification and forecasting, procurement of health products, quality assurance of health products, procurement of other goods and services, supply management [inventory, warehousing and distribution], asset management, individual contractors); and
- (e) financial management (revenue and accounts receivable, expenditures, reporting to the Global Fund).

The audit covered the Global Fund-related activities of the Office from 1 January to 31 December 2016. The Office recorded Global Fund-related expenditures of approximately \$60 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2015.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office's management of the Global Fund grants as **partially satisfactory / major improvement needed**, which means, "The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to the low implementation rate and delays in implementing grant activities, and the delays in liquidating advances to Sub-recipients.

Key recommendations: Total = 5, high priority = 2

The five recommendations aim to ensure the following:

¹ The Additional Safeguard Policy is a range of tools established by the Global Fund as a result of its risk management processes.

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1, 2	High
	3, 4	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	5	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendations are presented below:

Low implementation rate and delays in implementing grant activities (Issue 1) As of 31 of December 2016, the implementation rate of the Global Fund grants in Sudan was at 50 percent. The low implementation rate was mainly due to delays in (a) implementing the activities of grants at the level of the Principal Recipient and at the level of the Sub-recipients, (b) contracting the Sub-recipients, and (c) liquidating advances given to the Sub-recipients.

Recommendation: The Office should set up an implementation plan during 2017 to achieve its grant targets.

Delays in liquidating advances to Sub-recipients (Issue 2) At the time of the audit, the Project Management Unit (PMU) had advanced \$3.8 million to nine Sub-recipients, covering 2015 and 2016. Of this amount, the PMU had liquidated and recorded expenditures amounting to \$2.1 million in 2016. The remaining \$1.7 million had not been liquidated by Sub-recipients. OAI found that there was a considerable variance in the number of workdays it took the PMU to liquidate the advances after they received the supporting documentation from the Sub-recipients, ranging from 5 to 155 days.

Recommendation: The Office should prioritize the liquidation of advances given to Sub-recipients and ensure that the Finance Unit is adequately staffed.

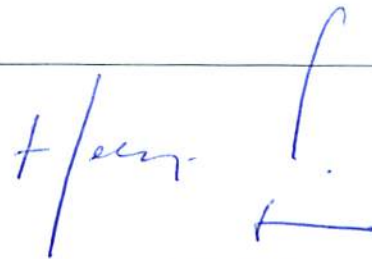
Implementation status of previous OAI audit recommendations: Report No. 1450, 17 July 2015.

Total recommendations: 8
Implemented: 7
Withdrawn: 1

Management comments and action plan

The Resident Representative accepted all five recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
Director
Office of Audit and Investigations